



CONGRESS OF THE UNITED STATES

# *JOINT ECONOMIC COMMITTEE*

VICE CHAIRMAN JIM SAXTON

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## PRESS RELEASE

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### **IMF INTEREST SUBSIDIES SHOULD BE ENDED IN WAKE OF ARGENTINE DEFAULT**

Press Release #108-58  
Contact: Christopher Frenze  
Chief Economist to the V.C.  
(202) 225-3923  
Stephen Thompson  
Radio & T.V.  
(202) 225-4765

**WASHINGTON, D.C.** – The artificially low interest rates charged by the International Monetary Fund (IMF) should be adjusted to reflect market risk, Vice Chairman Jim Saxton said today. Saxton previously had criticized the granting of IMF interest subsidies to Argentina, which defaulted to the IMF yesterday.

“The \$3 billion Argentine default illustrates the fact that IMF interest subsidies are inefficient and economically unjustified,” Saxton said. “IMF interest rates are set at artificially low levels that do not reflect the costs of providing such funds to borrowers that are not good credit risks. The costs are ultimately borne by the taxpayers of donor countries, including the U.S.

“In 1998, the Congress attached provisions to the IMF appropriation that required the use of interest rates adjusted for risk in IMF crisis lending. Unfortunately, after this legislation became law, the IMF extended subsidized credit to Argentina, much of it at extremely low interest rates. The standard IMF interest rate is currently only 2.1 percent, and even its other rates are usually subsidized.

“The IMF’s continued use of artificially low interest rates encourages excessive borrowing, increases moral hazard, and is a waste of taxpayer money. Through most of its history, the IMF has engaged in subsidized lending without even minimal accounting controls and lending safeguards in place. Even when such safeguards are in place, the IMF’s use of loan subsidies cannot be justified,” Saxton concluded.

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